Extraction of petroleum in K.G. basin

201. SHRI MOHD. ALI KHAN: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) what was extracted from Krishna Godavari (KG) basin in Andhra Pradesh during the last three years;

(b) the target fixed and achieved for the last three years;

(c) whether there is slow progress of extraction from the KG basin in Andhra Pradesh; and

(d) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL): (a) to (d) Crude Oil and Natural Gas production in KG Basin in the state of Andhra Pradesh during last 3 years is as under:

Year	Oil (MMT)		Gas (MMSCM)	
	Plan	Actual	Plan	Actual
2005-06	0.198	0.216	1865	1663
2006-07	0.218	0.214	1700	1502
2007-08	0.188	0.251	1546	1548

MMT - Million Metric Tonne

MMSCM - Million Metric Standard Cubic Metre. This entire production of oil and gas is being made by ONGC.

ONGC has taken the following initiatives to increase oil and gas production from KG Basin in Andhra Pradesh:

1. Improved Oil Recovery (IOR) scheme in Lingala field.

2. Fast tract development of Gopavaram field.

Calculation of profit and under recovery

202. SHRI R. C. SINGH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that as per the calculations when per barrel crude oil price at US dollar 40, including refining expenditure, per litre price of petrol comes to only Rs.14 whereas Government is selling the same for around Rs.45.50 in the country thereby getting a profit of about Rs.30 per litre;

(b) if so, the reasons behind this exorbitant burden on the common man; and

(c) what are the reasons that his Ministry is citing losses to OMCs rather than indicating them as under recoveries and not reducing the price of petroleum products in the country?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL): (a) and (b) Based on the international prices, the average Refinery Gate Price (RGP) for Petrol for the 1st fortnight of February 2009 works out to Rs.15.79 per litre. Over and

above the RGP, the Public Sector Oil Marketing Companies (OMCs) incur other costs like inland freight from refinery to the market, marketing expenses, Dealers' Commission, Excise Duty and Value Added Tax. Based on the current RGP applicable from 1st February 2009, the price build-up of Petrol (at Delhi) is given below:

	(Rupees per litre)
Price paid to refinery	15.79
Inland Freight	0.70
Marketing Cost & Return on Investment	1.26
Dealer Commission	1.05
Excise Duty	13.75
Value Added Tax (VAT)	6.77
TOTAL	39.32
Retail Selling Price	40.62
Over-recovery to OMCs	1.30

There is a high incidence of taxation on petroleum products. Customs Duty, Excise Duty and Sales Tax/VAT make up for 51.3% of the retail sale price of Petrol (at Delhi).

In petroleum refining, crude oil is processed through numerous processing streams. The blending of intermediate product streams from various processing units, for making finished petroleum products, makes its difficult to allocate the total costs to individual refined products with a degree of reasonable accuracy. Therefore, individual product-wise costs are not identified separately.

(c) As the retail selling prices of four sensitive petroleum products namely, Petrol, Diesel, PDS Kerosene and Domestic LPG were not revised in line with increase in the international oil prices, the OMCs incurred under-recoveries of Rs. 1,06,215 crore on the sale of these products during the period April-December, 2008. These under-recoveries have adversely impacted the financial health of the OMCs on account of increased need for borrowings, resulting in mounting interest liability.

As a result of these huge under-recoveries, the three OMCs – IOC, BPC and HPC have reported a combined loss of Rs.11,094 crore for the period April-December, 2008 against a profit of Rs.9,679 crore in the corresponding period of 2007-08. These losses have accrued even after taking into account Oil Bonds of Rs.60,967 and price discounts of Rs.32,000 given by the Public Sector Upstream oil companies, during the period April-September, 2008.

However, with the decline in the international oil prices, the Government has already reduced the retail selling prices of sensitive petroleum products on two occasions which are as indicated below (at Delhi), with corresponding reductions in the rest of the country:

- Effective from 6.12.2008 - Petrol by Rs.5/- per litre and Diesel by Rs.2/- per litre; and
- Effective from 29.1.2009 - Petrol by Rs.5/- per litre, Diesel by Rs.2/- per litre and Domestic LPG by Rs.25/- per cylinder.